

# **Lander University**

## ***Report on Financial Statements***

***For the year ended June 30, 2013***

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## **Independent Auditor's Report**

Board of Trustees  
Lander University  
Greenwood, South Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of Lander University (the University), a component unit of the State of South Carolina, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 - 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2013 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



Greenville, South Carolina  
November 20, 2013

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# Lander University

## *Management's Discussion and Analysis*

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### ***Overview of the Financial Statements and Financial Analysis***

Lander University is pleased to present its financial statements for fiscal year 2013. Condensed statements for fiscal years 2012 and 2013 will be presented in this section for comparative purposes. However, the emphasis of discussions about these statements will be on current year data. While maintaining financial health is crucial to the long-term viability of the University, the primary mission of a public institution of higher education is to provide education, research, and public service. Therefore, net position is accumulated only as required to ensure that there are sufficient reserve funds for future operations.

This report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) in Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Colleges and Universities*. These statements focus on the financial condition of the University, the results of operations, and cash flows of the University as a whole.

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. These statements present financial information in a format similar to that used by private corporations. The University's net position (the difference between assets and liabilities) are one indicator of the improvement or erosion of the University's overall finances when considered with non-financial facts such as enrollment levels and the condition of the facilities.

In addition, the financial statements contain a statement of net position and statement of activities for The Lander Foundation, a discretely presented component unit. The Foundation's separately issued financial statements are audited by independent auditors retained by the Foundation.

This discussion and analysis of the University's financial statements provides an overview of its financial activities for the year.

### ***Statement of Net Position***

The Statement of Net Position presents the assets, liabilities, and net position of the University as of the end of the fiscal year. The purpose of the Statement of Net Position is to present a fiscal snapshot of Lander University. The Statement of Net Position presents end-of-year data concerning assets (property owned by the University and debts owed by others to the University), liabilities (debts owed to others and funds collected from others prior to the University providing service/goods), and net position (assets minus liabilities). It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service to the University, regardless of when cash is exchanged.

The Statement of Net Position provides data that identifies the assets available to continue the operations of the University as well as how much the University owes vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position (assets minus liabilities) and the availability for expenditure by the institution.

Net position is divided into three major categories. The first category, net investment in capital assets, provides the institution's equity in property, plant, and equipment owned by the institution. The next asset category is expendable restricted net position. Expendable restricted net position is available for expenditure by the institution but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted assets are available to the institution for any lawful purpose of the institution. Although unrestricted net position is not subject to externally imposed stipulations, substantially all of the University's unrestricted net position has been designated for various academic programs and initiatives.

# Lander University

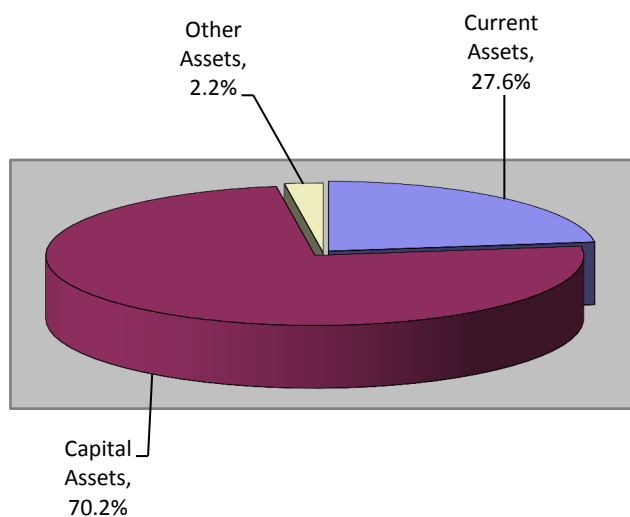
## Management's Discussion and Analysis

### Condensed Summary of Net Position

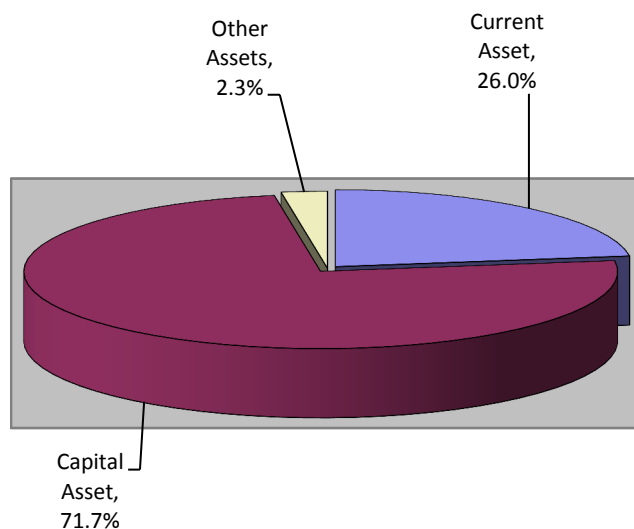
	2013	2012	Increase/ Decrease	Percent Change
Assets:				
Current assets	\$ 22,036,609	\$ 20,287,558	\$ 1,749,051	8.62%
Capital assets, net	56,007,471	56,031,803	(24,332)	-0.04%
Other assets	1,788,787	1,786,632	2,155	0.12%
Total Assets	79,832,867	78,105,993	1,726,874	2.21%
Liabilities:				
Current Liabilities	7,570,570	4,437,474	3,133,096	70.61%
Noncurrent Liabilities	15,193,479	16,572,397	(1,378,918)	-8.32%
Total Liabilities	22,764,049	21,009,871	1,754,178	8.35%
Net Position:				
Net investment in capital assets	41,117,669	40,850,922	266,747	0.65%
Restricted-expendable	1,598,975	338,148	1,260,827	372.86%
Unrestricted	14,352,174	15,907,052	(1,554,878)	-9.77%
Total Net Position	\$ 57,068,818	\$ 57,096,122	\$ (27,304)	-0.05%

### Analysis of Assets

#### FY 2013



#### FY 2012



As of June 30, 2013, the University assets were \$79,832,867. The total assets of the University increased over last fiscal year by 2.21 percent. A review of the Statement of Net Position reveals the majority of the increase was in current assets at 8.62 percent over prior year. The University has issued a \$3,000,000 bond anticipation note, to be used to build a new residence hall. This anticipation bond is due in March of 2014, which, at that point, a new bond will be issued for \$15,000,000 to complete the residence hall and repay the bond anticipation note. The new residence hall is expected to be finished in the Fall of 2014.

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## **Lander University**

### ***Management's Discussion and Analysis***

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Current liabilities had a significant increase of 70.61 percent over the prior year. Several reasons contributed to the increase in current liabilities, with the primary reason being issuance of the anticipation bond for the new residence hall. As mentioned, the total \$3,000,000 anticipation bond is held in current liabilities due to the one year maturity. During fiscal year 2014, the long term bond will be issued for \$15,000,000. Accounts Payable and accrued payroll were other significant contributions to the increase in current liabilities. Other liabilities, including accrued compensated absences, increased, resulting in a total increase in liabilities by 8.35 percent.

Despite the slight increase in current assets, the combination of these elements yields a decrease in net position of 0.05 percent or (\$27,304).

#### ***Statement of Revenues, Expenses and Changes in Net Position***

The Statement of Revenues, Expenses and Changes in Net Position presents the revenues earned and expenses incurred during the year as either operating or non-operating activities. All things being equal, a public University's dependency on state aid and gifts will result in operating deficits. The GASB requires state appropriations and gifts to be classified as non-operating revenues. The utilization of long-lived assets, referred to as capital assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the institution, both operating and non-operating, and the expenses paid by the institution, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the institution.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the institution. Non-operating revenues are revenues received for which goods and services are not provided.

# Lander University

## Management's Discussion and Analysis

### Condensed Summary of Revenues, Expenses and Changes in Net Position

	2013	2012	Increase/ Decrease	Percent Change
Operating Revenues:				
Student tuition and fees	\$ 16,046,198	\$ 15,991,507	\$ 54,691	0.34%
Sales and services	12,354,745	12,423,682	(68,937)	-0.55%
Grants and contracts	7,211,936	6,983,473	228,463	3.27%
Other operating revenues	313,615	287,342	26,273	9.14%
Total operating revenues	35,926,494	35,686,004	240,490	0.67%
Operating Expenses:				
Compensation and benefits	28,429,825	26,570,305	1,859,520	7.00%
Supplies and services	15,531,517	15,587,518	(56,001)	-0.36%
Scholarships and fellowships	3,013,651	2,933,192	80,459	2.74%
Depreciation	3,076,719	2,962,898	113,821	3.84%
Total operating expenses	50,051,712	48,053,913	1,997,799	4.16%
Operating loss	(14,125,218)	(12,367,909)	(1,757,309)	14.21%
Nonoperating Revenues (Expenses):				
State appropriations	6,812,873	6,060,627	752,246	12.41%
Federal grants and contracts	6,634,080	6,820,881	(186,801)	-2.74%
Gifts	691,084	684,669	6,415	0.94%
Investment income	29,997	177,100	(147,103)	-83.06%
Net loss on disposal of assets	(75,597)	(1,593)	(74,004)	4645.54%
Interest expense	(640,940)	(701,765)	60,825	-8.67%
Total nonoperating revenues (expenses)	13,451,497	13,039,919	411,578	3.16%
Income before other revenues, expenses, or losses	(673,721)	672,010	(1,345,731)	-200.25%
Other Revenues:				
State capital appropriations	646,417	547,427	98,990	18.08%
Change in net position	(27,304)	1,219,437	(1,246,741)	-102.24%
Net position, beginning of year	57,096,122	55,876,685	1,219,437	2.18%
Net position, end of year	\$ 57,068,818	\$ 57,096,122	\$ (27,304)	-0.05%

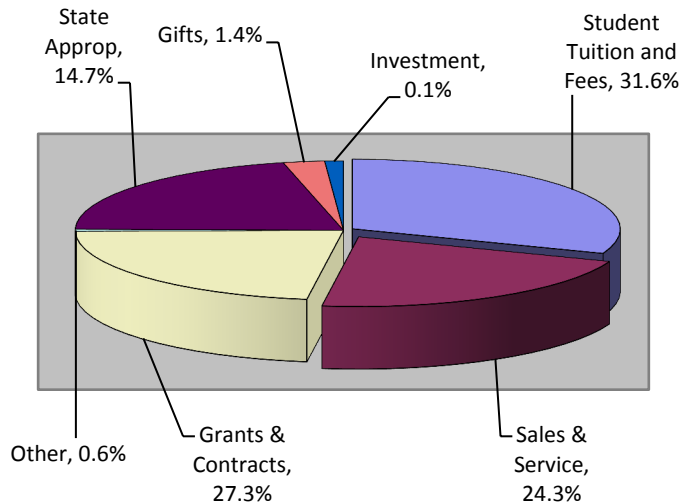


# Lander University

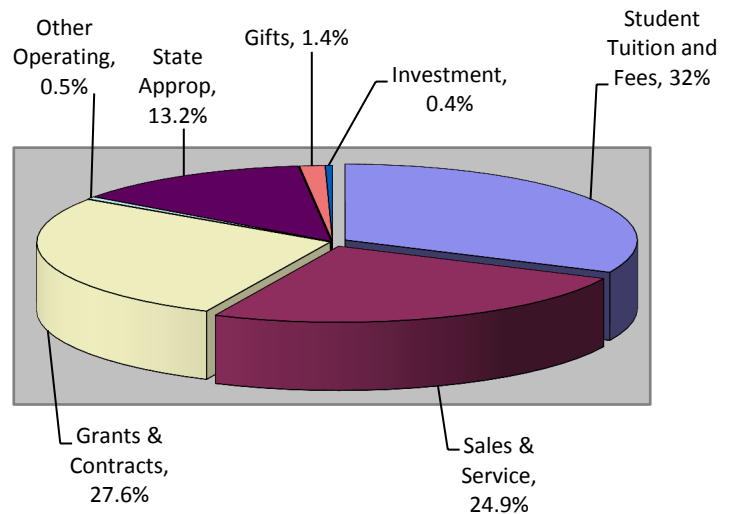
## Management's Discussion and Analysis

### Revenue Analysis

**FY 2013**

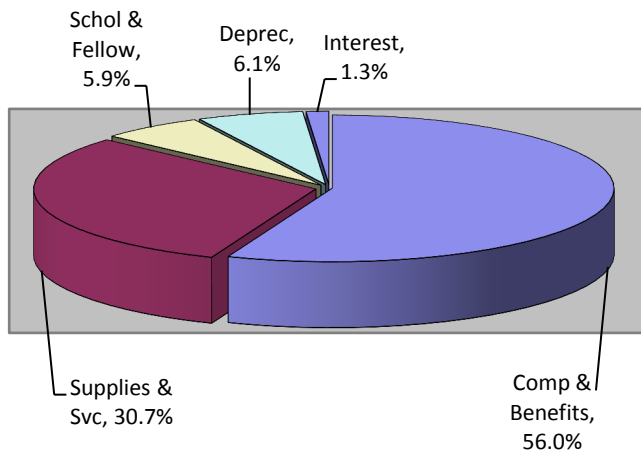


**FY 2012**

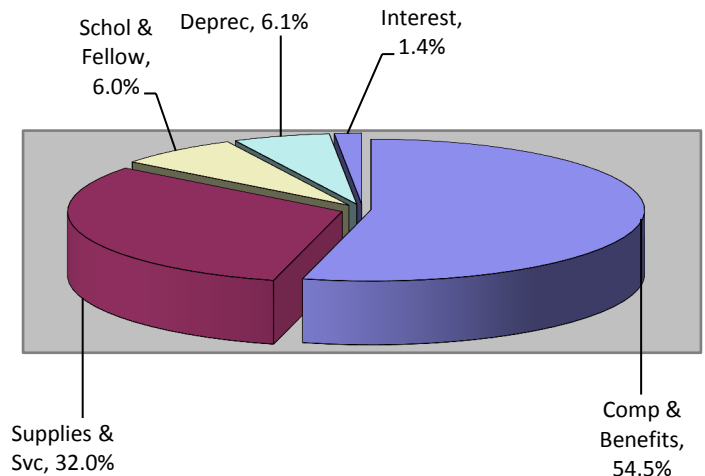


### Expenditure Analysis

**FY 2013**



**FY 2012**



The Condensed Summary of Revenues, Expenses and Changes in Net Position reflects a 0.05 percent decrease in Net Position at the end of the year. Some highlights of the information presented in this summary follow.

The University had an increase in tuition in fiscal year 2013 of 3.15 percent, however, there was a slight decline of approximately 100 students for the fiscal year 2013. This combination yields a slight increase of .67 percent or \$240,490 in operating revenues. The University continues to rely more heavily on tuition and fees and other revenues to cover operational costs. State Appropriations actually increased in fiscal year 2013 by 12.1 percent over prior year. However, over the past decade, State Appropriations have decreased, shrinking from about 43 percent of Lander's annual budget in fiscal year 2000 to approximately 11 percent in fiscal year 2013, leaving tuition and auxiliary sources to fill the financial gap.

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## **Lander University**

### ***Management's Discussion and Analysis***

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Operating expenses increased by \$1,997,799 or 4.16 percent over prior year, creating an operating loss for the fiscal year. A major contributor to the increase was compensation and benefits, which increased due to the increases in both State Retirement and the employers' portion of State Insurance. The University has made hard and effective decisions to address the increase in operating expenses. The combination of these elements yields a slight decrease in Net Position of .05 percent or (\$27,304).

#### ***Capital Asset and Debt Activity***

During fiscal year 2013, Lander University had several capital projects underway. These projects include a new residence hall, President's House renovation/relocation, Chipley Hall renovation and the Plaza renovation. Several projects were completed in fiscal year 2013. They include renovation of a student weight/fitness area, an arena roof for the Equestrian Center, and the infrastructure connectivity update.

The master plan for the University calls for three new residence halls. Design has begun on the first new 210 bed residence hall which is Phase I of the plan. Garvin Design Group is completing this design phase. The Budget and Control Board has approved a \$3 million bond anticipation note to begin the residence hall project. The anticipation bond will be due in the Spring 2014, at that point a new \$15 million bond will be issued to complete the project. Final design and construction will start January 2014 and completion is planned for Fall 2015.

In Fiscal Year 2013, Lander University has converted a little-used indoor swimming pool into an ultramodern 6,800 square foot fitness center that should see a lot of traffic. A ribbon-cutting ceremony was held on Friday, Jan. 4, to formally introduce the center, which became available for use with the start of the spring semester. The new facility is located in the Joe V. Chandler Center, home of the University's Department of Physical Education and Exercise Studies (PEES).

Lander University's Equestrian Center, home of the Equestrian Team and Therapeutic riding center, has a new arena roof to cover the main performance arena. The arena roof was completed for approximately \$840,000 and spans a 300 yard by 150 yard area.

In Fiscal Year 2012, structural design flaws were discovered at the President's House. The Board of Trustees has considered two potential alternatives for the house. The alternatives are to demolish the house and rebuild or renovate and correct the flaws. In fiscal year 2013, the project has been put on hold due to budget shortfalls. The University President has purchased a house just off campus.

The Chipley Hall housing project design phase has been approved and the construction phase has also been approved by the Budget and Control Board, however, this project will be completed in phases. First phase was complete in fiscal year 2012, which consist of updating the fire alarm system and an additional sprinkler system. Phase II began in fiscal year 2013 includes an ADA compliance updates. It will continue in fiscal year 2014 with a new roof, reworking of the suites, and corridors and restrooms. With several new housing leases, this project should be complete during fiscal year 2015. Funding for this project is from the Institutional Housing Renovation Fund.

South Carolina Deferred Maintenance Funds of \$646,417 were appropriated in fiscal year 2013. These funds are earmarked for the reconfiguration of the physical plant steps, reroofing Genesis Hall and Barrett Hall, replacing the cooling tower in the Grier Center, a renovation on the Jackson Library, and replacing the lighting system in the Johnson Commons area. These projects are anticipated to be completed by the end of fiscal year 2014.

The Lander Bearcats have a new Field House to call home. The nearly 15,000 square foot field house has been completed. The field house will provide facilities for the six sports that complete the Jeff May Complex (JMC): baseball, softball, men's and women's tennis and soccer. As well as, offices for the coaches and locker rooms for the Bearcats and visiting teams. It will also house a sports medicine/training area, a team meeting room and a small fitness center for the athletes, among other amenities. The University entered into a lease with the Lander Foundation who owns the Field House. The Bearcats are excited to call this new facility their home.

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## **Lander University**

### ***Management's Discussion and Analysis***

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#### ***Statement of Cash Flows***

The final statement presented is the Statement of Cash Flows which presents detailed information about the cash activity of the institution during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities and with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

#### ***Economic Outlook***

Lander University is currently implementing the campus master plan that will accommodate the University's continued growth and meet expected academic and residential space needs in the future. The plan is divided into three phases. Phase I is underway with the design plans for the new residence hall, mentioned above. Another part of phase I is the redesign of the plaza and roadway, design on the plaza will begin in fiscal year 2014 and roadway design will begin in the Summer 2014.

Lander University is introducing a new College: Applications have been accepted for Lander's new Honors College, which will make its debut with the start of the fiscal year 2014. The college offers academically gifted students the opportunity to study in an environment unlike the typical college classroom experience. Several new scholarships have been created for Honors College students.

Lander University Equestrian Center and its related programs have added a dimension to our campus that no other state university in South Carolina possesses. Other future long term plans for the Equestrian Center include a therapeutic riding complex, a second team barn, and classroom space. Pending the Budget and Control Board approval in fiscal year 2014, Lander University may enter into a lease with Lander Foundation to build a therapeutic riding complex using an interest free USDA loan.

The University does not anticipate State Appropriation cuts in fiscal year 2014. With the Board approved increase in tuition of 3.15 percent for fiscal year 2014 and intense student recruiting and cautious spending policies, Lander is well positioned to make smart choices and maintain its ability to react to unknown internal and external issues.

#### ***More Information***

This financial report is designed to provide a general overview of Lander University's finances and demonstrate the institution's accountability for the money it receives. Any questions about this report or requests for information may be addressed to the Controller, Lander University, 320 Stanley Avenue, Greenwood, South Carolina 29649.

**Lander University**  
**Statement of Net Position**  
**June 30, 2013**

**Assets**

**Current assets**

Cash and cash equivalents	\$ 15,344,332
Restricted cash and cash equivalents	3,118,957
Accounts receivable - net of allowance for doubtful accounts of \$110,942	2,325,781
Interest receivable	367,937
Inventories	344,285
Prepaid items	535,317
Total current assets	<u>22,036,609</u>

**Noncurrent assets**

Restricted assets	
Cash and cash equivalents	254,347
Student loans receivable	1,534,440
Capital assets not being depreciated	4,295,328
Capital assets - net of accumulated depreciation	51,712,143
Total noncurrent assets	<u>57,796,258</u>
Total assets	<u><u>\$ 79,832,867</u></u>

**Liabilities**

**Current liabilities**

Accounts and retainages payable	\$ 601,548
Accrued payroll and related liabilities	728,722
Accrued interest payable	62,776
Long-term liabilities - current	2,033,066
Bond anticipation note payable	3,000,000
Student deposits	295,749
Other deposits	15,681
Unearned revenues	833,028
Total current liabilities	<u>7,570,570</u>

**Noncurrent liabilities**

General obligation bonds	11,525,000
Premium on bonds	22,243
Accrued compensated absences	803,092
Perkins Loan Program - Federal liability	1,512,478
Capital leases payable	1,330,666
Total noncurrent liabilities	<u>15,193,479</u>
Total liabilities	<u><u>\$ 22,764,049</u></u>

**Net Position**

Net investment in capital assets	\$ 41,117,669
Restricted for:	
Expendable:	
Grants and contracts	143,025
Loans	225,803
Capital projects	1,226,350
Debt service	3,797
Unrestricted	14,352,174
Total net position	<u><u>\$ 57,068,818</u></u>

**See Notes to Financial Statements**

# Lander University

## Statement of Revenues, Expenses and Changes in Net Position For the year ended June 30, 2013

### Revenues

Operating revenues	
Student tuition and fees (net of scholarship allowances of \$14,787,449)	\$ 16,046,198
Federal grants and contracts	417,284
State grants and contracts	6,704,486
Non-governmental grants and contracts	90,166
Sales and services of educational and other activities	470,610
Sales and services of auxiliary enterprises (pledged for debt service)	11,884,135
Other revenues	313,615
Total operating revenues	<u>35,926,494</u>

### Expenses

Operating expenses	
Compensation	21,620,189
Employee benefits	6,809,636
Supplies and services	15,531,517
Scholarships and fellowships	3,013,651
Depreciation	3,076,719
Total operating expenses	<u>50,051,712</u>

Operating loss (14,125,218)

### Nonoperating revenues (expenses)

State appropriations	6,812,873
Federal grants and contracts	6,634,080
Private gifts	691,084
Investment income	29,997
Net loss on disposal of assets	(75,597)
Interest on capital assets-related debt	(640,940)
Net nonoperating revenues	<u>13,451,497</u>

Loss before other revenues (673,721)

### Other revenues

State capital appropriations	<u>646,417</u>
Decrease in net position	(27,304)

Net position, beginning of year 57,096,122  
Net position, end of year \$ 57,068,818

See Notes to Financial Statements

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**Lander University****Statement of Cash Flows****For the year ended June 30, 2013**

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Cash flows from operating activities	
Student tuition and fees	\$ 15,419,231
Federal grants and contracts	558,024
State grants and contracts	6,553,488
Non-governmental grants and contracts	90,166
Sales and services of educational and other activities	470,610
Sales and services of auxiliary enterprises	11,865,003
Other fees	313,615
Payments to suppliers	(18,609,235)
Payments to employees	(28,130,008)
New loans to students	(222,350)
Collection of loans	228,338
Net cash used for operating activities	<u>(11,463,118)</u>
Cash flows from noncapital financing activities	
State appropriations	6,812,873
Federal grants and contracts	6,634,080
Private gifts	692,954
Net cash provided by noncapital financing activities	<u>14,139,907</u>
Cash flows from capital and related financing activities	
Proceeds from bond anticipation note	3,000,000
Capital appropriations	547,427
Proceeds from sale of capital assets	60
Purchases of capital assets	(3,024,405)
Payment on capital lease obligation	(1,441,333)
Interest paid	(653,918)
Net cash used for capital and related financing activities	<u>(1,572,169)</u>
Cash flows from investing activities	
Interest on investments	163,548
Net change in cash and cash equivalents	<u>1,268,168</u>
Cash and cash equivalents, beginning of year	<u>17,449,468</u>
Cash and cash equivalents, end of year (including \$3,373,304 restricted cash and cash equivalents)	<u>\$ 18,717,636</u>

**See Notes to Financial Statements**

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**Lander University*****Statement of Cash Flows, Continued******For the year ended June 30, 2013***

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Reconciliation	
Operating loss	\$ (14,125,218)
Adjustments to reconcile operating loss to net cash used for operating activities	
Depreciation	3,076,719
Allowance for uncollectible accounts	10,685
Changes in assets and liabilities:	
Accounts receivable	(496,913)
Inventories	(1,155)
Prepaid items	(141,707)
Student loans receivable	5,953
Accounts payable and other liabilities	247,382
Deferred revenues	(150,988)
Deposits	(19,132)
Compensated absences	131,256
Cash flows used for operating activities	<u>\$ (11,463,118)</u>

***See Notes to Financial Statements***

# The Lander Foundation

*A Component Unit of Lander University*

*Consolidated Statement of Financial Position*

*June 30, 2013*

## Assets

Cash and cash equivalents	\$ 2,253,332
Accounts receivable	14,731
Net unconditional promises to give	74,647
Interest receivable	16,875
Investments	11,468,578
Investments related to split-interest agreements	626,889
Investments in real estate	516,171
Net investment in sales-type leases	1,992,194
Other investments	2,000
Bond issuance costs, net	206,852
Land, buildings and equipment, net	19,885,975
Total assets	<u>\$ 37,058,244</u>

## Liabilities and Net Assets

### Liabilities

Accounts payable	\$ 39,908
Funds held for others	44,244
Deferred revenue	122,834
Bonds payable	12,975,000
Notes payable	3,962,400
Interest rate swap liability	309,609
Actuarial liability of annuities payable	300,224
Total liabilities	<u>17,754,219</u>

### Net assets

Unrestricted	5,662,272
Temporarily restricted	9,399,893
Permanently restricted	4,241,860
Total net assets	<u>19,304,025</u>
Total liabilities and net assets	<u>\$ 37,058,244</u>

*See Notes to Financial Statements*



# The Lander Foundation

A Component Unit of Lander University

Consolidated Statement of Activities

For the year ended June 30, 2013

	Unrestricted	Temporarily restricted	Permanently restricted	Total
<b>Revenue and support</b>				
Contributions	\$ 664,431	\$ 1,233,404	\$ 196,843	\$ 2,094,678
Contributions - related party	103,230	-	-	103,230
Rental income - related party	853,041	-	-	853,041
Rental income - other	270,480	-	-	270,480
Investment income - net	37,410	253,256	-	290,666
Investment income from capital leases	17,548	-	-	17,548
Interest income from capital leases	70,726	-	-	70,726
Change in actuarial liability of annuities payable	-	(53,888)	-	(53,888)
Realized and unrealized gains on investments	112,138	808,869	-	921,007
Unrealized gain on interest rate swap	211,233	-	-	211,233
	<u>2,340,237</u>	<u>2,241,641</u>	<u>196,843</u>	<u>4,778,721</u>
Net assets released from restrictions				
Satisfaction of donor restrictions	1,404,901	(1,404,901)	-	-
Total revenue, support and reclassifications	<u>3,745,138</u>	<u>836,740</u>	<u>196,843</u>	<u>4,778,721</u>
<b>Program expenses</b>				
Scholarships	566,783	-	-	566,783
Grants and other approved programs	2,502,918	-	-	2,502,918
Total program expenses	<u>3,069,701</u>	<u>-</u>	<u>-</u>	<u>3,069,701</u>
<b>Supporting services</b>				
Fundraising	113,875	-	-	113,875
Administrative and general	378,808	-	-	378,808
Total supporting services	<u>492,683</u>	<u>-</u>	<u>-</u>	<u>492,683</u>
Total program and supporting services expenses	<u>3,562,384</u>	<u>-</u>	<u>-</u>	<u>3,562,384</u>
Increase / decrease in net assets	182,754	836,740	196,843	1,216,337
<b>Net assets, beginning of year, as restated</b>	<u>5,479,518</u>	<u>8,563,153</u>	<u>4,045,017</u>	<u>18,087,688</u>
<b>Net assets, end of year</b>	<u>\$ 5,662,272</u>	<u>\$ 9,399,893</u>	<u>\$ 4,241,860</u>	<u>\$ 19,304,025</u>

See Notes to Financial Statements

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## Lander University

### *Notes to Financial Statements*

*June 30, 2013*

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#### **Note 1. Summary of Significant Accounting Policies**

##### *Nature of operations:*

The University is a state-supported, coeducational institution of higher education. The University's commitment to extending educational opportunities to an array of varying constituencies reflects its belief that citizens of a free society have a right to the enriching benefits of a higher education. The University is a component unit of the State of South Carolina.

##### *Reporting entity:*

The financial reporting entity consists of the primary government and its component unit. Component units are legally separate organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete.

The Lander Foundation (the Foundation) is a legally separate, tax-exempt component unit of Lander University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. The board of the Foundation is self-perpetuating and consists of graduates and friends of the University. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources, or incomes thereon, that the Foundation holds and invests, are restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a non-governmental component unit of the University and is discretely presented in the University's financial statements.

In prior years, the Foundation's Board formed Lander RWS Properties, LLC for the purpose of owning and managing all activities relating to the May Recreation, Wellness and Sports (RWS) Complex and formed Lander Foundation Properties, LLC for the purpose of acquiring and managing real estate properties (other than the RWS Complex and Equestrian Center). The Foundation's Board formed Bearcat Village, LLC for the purpose of acquiring and renovating real estate property for student housing. The consolidated financial statements of the Foundation include the accounts of the Foundation and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Complete financial statements for the Foundation can be obtained from the Foundation Office at 320 Stanley Avenue, Greenwood, SC 29649.

##### *Financial statements:*

The financial statement presentation for the University meets requirements of *Governmental Accounting Standards Board (GASB), Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and *GASB Statement No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. The financial statement presentation provides a comprehensive, entity-wide perspective of the University's net position, revenues, expenses and changes in net position and cash flows.

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# Lander University

## *Notes to Financial Statements*

*June 30, 2013*

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### **Note 1. Summary of Significant Accounting Policies, Continued**

#### *Basis of accounting:*

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly are presented as scholarship and fellowship expenses. All significant intra-agency transactions have been eliminated.

The Foundation is a private nonprofit organization that reports under FASB's Accounting Standards Codification. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

#### *Cash and cash equivalents:*

For purposes of the statement of cash flows, the University, as well as the Foundation, considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

#### *Investments:*

Investments of the Foundation are carried at fair value. Gains or losses that result from market fluctuations are reported in the current period.

#### *Accounts receivable:*

Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also includes amounts due from the federal government, state and local governments or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

#### *Inventories:*

Inventories, which consist of bookstore inventories for resale, are carried at the lower of cost or market. The cost of textbooks is reported on a weighted average basis while the cost of merchandise is reported on a first-in, first-out basis.

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# Lander University

## Notes to Financial Statements

June 30, 2013

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### Note 1. Summary of Significant Accounting Policies, Continued

#### Prepaid items:

Expenditures for insurance and similar services paid for in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods. For the University, amounts reported in this asset account consist primarily of equipment maintenance contracts, leases and deposits on goods not yet received.

#### Capital assets:

Capital assets are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements costing \$100,000 or more that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000, and a useful life in excess of one year. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred. In addition, interest related to debt incurred for capital assets is capitalized during the construction period.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements and 2 to 25 years for machinery, equipment, and vehicles. For assets capitalized prior to fiscal year 2012, a full year of depreciation was taken during the year the asset was placed in service, and no depreciation was taken in the year of disposition. Beginning in fiscal year 2012, capital assets are depreciated based on the number of months the asset is in service during the fiscal year. The change in depreciation method was required by the State of South Carolina.

#### Unearned revenues and deposits:

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but relate to the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Deposits represent dormitory room deposits, security deposits for possible room damage, student fee refunds, and other miscellaneous deposits. Student deposits are recognized as revenue during the semester for which the fee is applicable and earned when the deposit is nonrefundable to the student under the forfeit terms of the agreement.

#### Compensated absences:

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences in the statement of net position, and as a component of compensation and benefit expense in the statement of revenues, expenses, and changes in net position. Generally all permanent full-time State employees and certain part-time employees scheduled to work at least one-half of the University's workweek are entitled to accrue and carry forward at calendar year-end a maximum of 180 days sick leave and of 45 days annual vacation leave, except that faculty members do not accrue annual leave. Upon termination of employment, employees are entitled to be paid for accumulated unused annual vacation leave up to the maximum, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and salary-related employee benefits.

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## Lander University

### Notes to Financial Statements

June 30, 2013

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#### Note 1. Summary of Significant Accounting Policies, Continued

##### Capital leases payable:

Leases that substantially transfer all of the risks and benefits of ownership are accounted for as capital leases. Capital leases are included in capital assets and, where appropriate, are amortized over their estimated economic life. The related capital lease obligations are included in long-term liabilities.

##### Net position and net assets:

The University's net position is classified as follows:

**Net investment in capital assets** represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

**Restricted net position - expendable** include resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

**Unrestricted net position** represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The University's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

The net assets of the Foundation are classified as follows:

**Permanently restricted net assets** - Net assets consists of endowment assets to be held in perpetuity.

**Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that will be met by actions of the Foundation and/or the passage of time.

**Unrestricted net assets** - Net assets not subject to donor-imposed restrictions.

##### Income taxes:

The University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(1) of the Internal Revenue Code, as amended.

The Foundation is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, as amended. Unrelated business income can be subject to taxation.

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# Lander University

## Notes to Financial Statements

June 30, 2013

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### Note 1. Summary of Significant Accounting Policies, Continued

#### Classification of revenues:

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

**Operating revenues** generally result from exchange transactions to provide goods or services related to the University's principal ongoing operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students; (2) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; (3) receipts for scholarships; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake.

**Nonoperating revenues** include activities that have the characteristics of nonexchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital purposes.

#### Sales and services of educational and other activities:

Revenues from sales and services of educational and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from tournaments, student-related activities and workshops.

#### Sales and services of auxiliary enterprises and internal service activities:

Auxiliary enterprise revenues primarily represent revenues generated by housing, food service and bookstore. Revenues of internal service and auxiliary enterprise activities and the related expenditures of University departments have been eliminated.

#### Scholarship discounts and allowances:

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

#### Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

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## Lander University

### Notes to Financial Statements

June 30, 2013

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#### Note 2. Deposits and Investments

Generally, deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority for investing State funds. The following schedule reconciles the University's deposits and investments within the footnotes to the statement of net position amounts:

Statement of net position:

Cash and cash equivalents (current)	\$ 15,344,332
Restricted cash and cash equivalents (current)	3,118,957
Restricted cash and cash equivalents (noncurrent)	<u>254,347</u>
	<u>\$ 18,717,636</u>

Notes to financial statements:

Cash on hand	\$ 8,690
Deposits held by State Treasurer	<u>18,708,946</u>
	<u>\$ 18,717,636</u>

#### Restricted deposits:

Current restricted cash and cash equivalents represent funds restricted for capital expenditures. Noncurrent restricted cash and cash equivalents represent funds associated with the Perkins Loan Program.

#### Deposits held by State Treasurer:

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. For deposits held by the State Treasurer, state law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits and investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, credit risk, concentration risk, and interest rate risk, of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

#### Other deposits:

The University's other deposits were entirely covered by federal deposit insurance at year end. Other deposits had a carrying value of \$0 and a bank balance of \$34,255 at June 30, 2013.

# Lander University

## Notes to Financial Statements

June 30, 2013

### Note 3. Accounts Receivable

Accounts receivable as of June 30, 2013, are summarized as follows:

Student accounts	\$ 612,768
Direct lending	298,763
Grants and contracts	164,479
State capital appropriations	646,417
Due from component unit – The Lander Foundation	20,749
Other	<u>693,547</u>
	2,436,723
Less: Allowance for uncollectible accounts	<u>(110,942)</u>
Accounts receivable, net	<u>\$ 2,325,781</u>

Allowances for losses for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio.

### Note 4. Restricted Student Loans Receivable

Student loans made through the Federal Perkins Loan Program comprise all of the loans receivable as of June 30, 2013. The Perkins Loan program provides various repayment options; students have the right to repay the loans over periods up to 10 years depending on the amount of the loan and loan cancellation privileges the student may exercise. As the University determines that loans are uncollectible, the loans are written off and assigned to the United States Department of Education.

### Note 5. Capital Assets

	Beginning balance <u>July 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	Ending balance <u>June 30, 2013</u>
Capital assets not being depreciated:				
Land and improvements	\$ 2,688,224	\$ -	\$ -	\$ 2,688,224
Land and improvements-capital leases	413,588	-	-	413,588
Construction in progress	512,663	2,533,967	(1,938,060)	1,108,570
Art and historical collections	<u>84,946</u>	<u>-</u>	<u>-</u>	<u>84,946</u>
Total capital assets not being depreciated	<u>3,699,421</u>	<u>2,533,967</u>	<u>(1,938,060)</u>	<u>4,295,328</u>
Other capital assets:				
Land improvements	2,359,939	982,167	-	3,342,106
Buildings and improvements	81,506,291	955,893	-	82,462,184
Buildings and improvements-capital leases	4,282,062	-	-	4,282,062
Machinery, equipment and other	3,275,938	534,888	(179,301)	3,631,525
Vehicles	850,937	59,189	-	910,126
Intangibles	<u>1,556,557</u>	<u>-</u>	<u>-</u>	<u>1,556,557</u>
Total other capital assets at historical cost	<u>93,831,724</u>	<u>2,532,137</u>	<u>(179,301)</u>	<u>96,184,560</u>
Total capital assets	<u>97,531,145</u>	<u>5,066,104</u>	<u>(2,117,361)</u>	<u>100,479,888</u>
Less accumulated depreciation for:				
Land improvements	488,412	121,276	-	609,688
Buildings and improvements	36,638,645	2,354,278	-	38,992,923
Buildings and improvements-capital leases	201,640	144,441	-	346,081
Machinery, equipment and other	2,152,405	337,336	(103,644)	2,386,097
Vehicles	593,544	91,629	-	685,173
Intangibles	<u>1,424,696</u>	<u>27,759</u>	<u>-</u>	<u>1,452,455</u>
Total accumulated depreciation	<u>41,499,342</u>	<u>3,076,719</u>	<u>(103,644)</u>	<u>44,472,417</u>
Capital assets, net	<u>\$ 56,031,803</u>	<u>\$ 1,989,385</u>	<u>\$ (2,013,717)</u>	<u>\$ 56,007,471</u>



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**Lander University****Notes to Financial Statements****June 30, 2013**

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**Note 5. Capital Assets, Continued**

Losses on the disposal of capital assets totaled \$75,597. Proceeds from capital asset sales totaled \$60.

**Note 6. Unearned Revenue**

Unearned revenue consists of the following at June 30, 2013:

Student fees	\$ 783,738
Grants and contracts	<u>49,290</u>
Total unearned revenue	<u>\$ 833,028</u>

**Note 7. Pension Plans**

The majority of employees of the University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent State employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides a life-time monthly retirement annuity benefit to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82% of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

**Note 7. Pension Plans, Continued**

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

Effective July 1, 2012, employees participating in the SCRS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for SCRS was 15.15%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45%, .15% for the incidental death program and a 4.55% surcharge that will fund retiree health and dental insurance coverage. Employer contributions for State ORP include a 5.45% employer retirement contribution, 4.55% retiree insurance surcharge and .15% incidental death benefit. The University actual contributions to the SCRS for the years ended June 30, 2013, 2012, and 2011 were approximately \$1,290,614, \$1,101,372, and \$1,085,005, respectively, and equaled the base required retirement contribution rate, excluding surcharge, of 10.45% for 2013, 9.385% for 2012 and 9.24% for 2011. Also, the University paid employer incidental death program contributions of approximately \$18,526, \$17,603, and \$ 17,614, at the rate of .15% of compensation for the current fiscal years ended June 30, 2013, 2012, and 2011 respectively.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple employer defined benefit public employee retirement system. Generally, all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to PORS as a condition of employment. This plan provides lifetime monthly annuity benefits as well as disability, survivor benefits and incidental benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

**Note 7. Pension Plans, Continued**

Under the PORS, Class II members are eligible for a full service retirement annuity upon reaching age 55 or completion of 25 years of credited service regardless of age. Class III members are eligible for a full service retirement annuity upon reaching age 55 or 27 years of credited service. The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 2.14% of an employee's average final compensation (AFC) multiplied by the number of years of credited service. For Class II members, AFC is the average annual compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. PORS does not have an early retirement option. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002).

Effective July 1, 2012, employees participating in the PORS were required to contribute 7.00% of all earnable compensation. The employer contribution rate for PORS was 16.85%. Included in the total PORS employer contribution rate is a base retirement contribution of 11.90%, .20% for the incidental death program, .20% for the accidental death program, and a 4.55% surcharge that will fund retiree health and dental insurance coverage. The University actual contributions to the PORS for the years ended June 30, 2013, 2012, and 2011 were approximately \$66,496, \$52,824, and \$50,362, respectively, and equaled the base retirement required contribution rate, excluding surcharge, of 11.90% for 2013, 11.363% for 2012 and 11.13% for 2011. The University also paid employer incidental death program contributions of approximately \$1,118, \$930, and \$905, at the rate of .20% of compensation for the current fiscal years ended June 30, 2013, 2012, and 2011 respectively. In addition the University paid accidental death program contributions of approximately \$1,118, \$930, and \$905, at the rate of .20% of compensation for the current fiscal years ended June 30, 2013, 2012, and 2011 respectively.

As an alternative to membership to SCRS, newly hired State and school district employees may elect to participate in the State Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 20, of the South Carolina Code of Laws. State ORP participants direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP plan other than for payment of contributions to designated companies. To elect participation in the ORP, eligible employees must elect membership within their first 30 days of employment. Under State law, contributions to the ORP are required at the same rates as for the SCRS, 10.60% plus the retiree surcharge of 4.55% from the employer in fiscal year 2013. Of the 10.60% employer retirement contribution rate, the employer remits 5.00% directly to the participant's ORP account and the remaining 5.45% and .15% incidental death program contribution amounts are remitted to SCRS.

For fiscal year 2013, total contributions requirements to the ORP were approximately \$749,289 (excluding the surcharge) from the University as employer and approximately \$494,813 from its employees as plan members. The amounts paid by the University for pension, incidental death program, and accidental death program contributions are reported as employer contribution expenditures within the applicable functional expenditure categories to which the related salaries are charged.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefit, and employee/employer contributions for each retirement system. Employee and employer contribution rates to SCRS and PORS are actuarially determined.

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**Lander University****Notes to Financial Statements****June 30, 2013**

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**Note 7. Pension Plans, Continued**

The surcharges to fund retiree health and dental insurance are not part of the actuarially established rates. For the current fiscal year, the SCRS and PORS do not make separate measurements of assets and pension benefit obligations for individual employers within the cost-sharing plan. Under Title 9 of the South Carolina Code of Laws, the University liability under the plans is limited to the amount of required employer contributions (stated as a percentage of covered payroll) as established by the PEBA and as appropriated in the South Carolina Appropriation Act and from other applicable revenue sources. Accordingly, the University recognizes no contingent liability for unfunded costs associated with participation in the plans.

**Note 8. Post Employment Benefits Other Than Pensions****Plan Description**

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits to retired State and school district employees and their covered dependents. The University contributes to the South Carolina Retiree Health Insurance Trust Fund (SCRHITF) and the South Carolina Long-Term Disability Insurance Trust Fund (SCLTDITF), cost-sharing multiple employer defined benefit postemployment healthcare, and long-term disability plans administered by the Insurance Benefits Division (IB), a part of PEBA.

Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires beginning employment May 2, 2008 and after, retirees are eligible for benefits if they have established 25 years of service for 100% employer funding and 15 through 24 years of service for 50% employer funding.

Benefits become effective when the former employee retires under a State retirement system. Basic Long-Term Disability (BLTD) benefits are provided to active state, public school district, and participating local government employees approved for disability.

**Funding Policies**

Section 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these postemployment and long-term disability benefits be funded through annual appropriations by the General Assembly for active employees to the IB and participating retirees to the PEBA, except for the portion funded through the pension surcharge and provided from the other applicable sources of the IB, for its active employees who are not funded by State General Fund appropriations. Employers participating in the Retiree Medical Plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.55% of annual covered payroll for 2013 and 4.30% of annual covered payroll for 2012. The IB sets the employer contribution rate based on a pay-as-you-go basis. The University paid approximately \$909,025 and \$796,217 applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal years ended June 30, 2013 and 2012, respectively. BLTD benefits are funded through a person's premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee paid to IB was \$3.22 for the fiscal years ended June 30, 2013 and 2012. The University recorded employer contributions expenses applicable to these insurance benefits for active employees in the amount of approximately \$14,094 and \$13,347 for the years ended June 30, 2013 and 2012, respectively.

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**Lander University****Notes to Financial Statements****June 30, 2013**

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**Note 8. Post Employment Benefits Other Than Pensions, Continued**

Effective May 1, 2008 the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The SCRHITF is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars, accumulated IB reserves, and income generated from investments. The SCLTDITF is primarily funded through investment income and employer contributions.

A copy of the complete financial statements for the benefit plans and the trust funds from PEBA Retirement Benefits and Insurance Benefits, 202 Arbor Lake Drive, Suite 360, Columbia, SC 29223.

**Note 9. Litigation, Contingencies and Project Commitments**

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The State has issued capital improvement bonds to fund improvements and expansion of state facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has no authorized state capital improvement bond proceeds available to draw at June 30, 2013.

At June 30, 2013, the University had commitments for capital projects with outstanding balances totaling \$18,643,815. The commitments include Chipley Housing Renovation cost of \$1,479,325 with \$900,354 outstanding; the Plaza Renovation Project is budgeted at \$2,700,000 with \$2,652,318 outstanding; a new residence hall is budgeted at \$15,240,000 with \$14,766,143 outstanding; and the President House Project cost of \$325,000 all of which is outstanding.

The University is a party to various litigations as a defendant, arising from its normal operations. Management does not anticipate material losses in connection with these claims.

**Note 10. Operating Leases**

Commitments for operating leases with external parties having remaining noncancelable terms in excess of one year as of June 30, 2013 were as follows:

<u>Year ended June 30,</u>	<u>Equipment</u>	<u>Real property</u>	<u>Total</u>
2014	\$ 87,395	\$ 752,704	\$ 840,099
2015	58,268	691,000	749,268
2016	39,025	691,000	730,025
2017	7,800	691,000	698,800
2018	-	691,000	691,000
2019 - 2023	-	3,455,000	3,455,000
2024 - 2028	-	3,455,000	3,455,000
2029 - 2031	-	2,073,000	2,073,000
Total minimum lease payments	<u>\$ 192,488</u>	<u>\$ 12,499,704</u>	<u>\$ 12,692,192</u>

# Lander University

## Notes to Financial Statements

June 30, 2013

### Note 10. Operating Leases, Continued

#### Operating Leases:

The University's noncancelable operating equipment leases provide for renewal options for periods from one to three years at their fair rental value at the time of renewal. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Total rental payments for fiscal year 2013 were \$77,647.

The University has entered into an operating lease with the related party, Lander RWS Properties, LLC for the purpose of the Jeff May Recreational, Wellness, and Sports Complex (RWS Property), a twenty-two year lease with annual payments of \$691,000.

The University has also entered into two operating leases with an unrelated party to lease the Hines property at 101 Felder Avenue and Stuart property at 103 Felder Avenue for student housing. The leases end June 2014 with monthly payments of \$2,821 and \$2,321 during the lease term.

### Note 11. Bonds and Notes Payable

#### Bonds payable:

At June 30, 2013, bonds payable consisted of the following:

\$8,000,000 general obligation bonds issued December 2005 and due in annual installments of \$275,000 to \$580,000 through 2026, with interest at 4.00 to 5.00 percent.	\$ 5,875,000
\$10,000,000 general obligation bonds issued June 2004 and due in annual installments of \$355,000 to \$735,000 through 2024, with interest at 3.00 to 5.00 percent.	<u>6,465,000</u>
	<u>\$ 12,340,000</u>

The scheduled maturities of bonds payable are as follows:

<u>Year ending</u> <u>June 30,</u>	<u>General obligation bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 815,000	\$ 543,819
2015	845,000	511,019
2016	880,000	476,919
2017	920,000	440,156
2018	965,000	400,969
2019 - 2023	5,515,000	1,309,453
2024 - 2026	<u>2,400,000</u>	<u>151,388</u>
	<u>\$ 12,340,000</u>	<u>\$ 3,833,723</u>

# Lander University

## Notes to Financial Statements

June 30, 2013

### Note 11. Bonds and Notes Payable, Continued

#### Notes payable:

At June 30, 2013, notes payable consisted of the following:

Note payable in the amount of one fourth of the total award of \$232,000 for the State Energy Program American Recovery and Reinvestment Act (SEP-ARRA). No interest loan payable in three annual payments of \$19,334.

\$ 19,334

Bond anticipation note in the amount of \$3,000,000, all outstanding principal due March 2014, interest at 0.60 percent.

\$ 3,000,000

### Note 12. Capital Leases

The following is an analysis of the leased property under capital leases by major class at June 30, 2013:

Land	\$ 413,588
Buildings	<u>4,282,062</u>
	4,695,650
Less: Accumulated depreciation	<u>(346,081)</u>
	\$ <u>4,349,569</u>

Future minimum lease payments under capital leases together with the present value of net minimum lease payments as of June 30, 2013 are as follows:

	<u>2013</u>
2014	\$ 720,181
2015	720,181
2016	139,944
2017	139,944
2018	139,944
2019 - 2020	<u>279,888</u>
Net minimum lease payments	2,140,082
Less: Amount representing interest	<u>147,889</u>
Present value of minimum lease payments	\$ <u>1,992,193</u>

Capital leases are reflected at the present value of estimated future cash flows using a borrowing rate of 3 percent.

# Lander University

## Notes to Financial Statements

June 30, 2013

### Note 13. Long-term Liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2013</u>	<u>Current portion</u>
Bonds/notes/installment purchase					
General obligation bonds	\$ 13,120,000	\$ -	\$ 780,000	\$ 12,340,000	\$ 815,000
Unamortized premiums	26,730	-	2,244	24,486	2,243
Total general obligation bonds payable	13,146,730	-	782,244	12,364,486	817,243
Capital lease	2,634,193	-	642,000	1,992,193	661,527
SEP-ARRA note	38,667	-	19,333	19,334	19,334
Total debt	15,819,590	-	1,443,577	14,376,013	1,498,104
Other liabilities					
Compensated absences	1,206,798	693,290	562,034	1,338,054	534,962
Perkins Loan - Federal liability	1,505,900	6,578	-	1,512,478	-
Total other	2,712,698	699,868	562,034	2,850,532	534,962
Total long-term liabilities	<u>\$ 18,532,288</u>	<u>\$ 699,868</u>	<u>\$ 2,005,611</u>	<u>\$ 17,226,545</u>	<u>\$ 2,033,066</u>

### Note 14. Component Unit

As discussed in Note 1, the Foundation is a separately chartered corporation organized exclusively to promote the development and welfare of the University. The Foundation has been included as a component unit, but because it is a nongovernmental entity, it uses a different reporting model and its balances and transactions are reported in separate financial statements. During the year ended June 30, 2013, the University received approximately \$567,000 from the Foundation for restricted scholarships. The University also received approximately \$146,000 from the Foundation for various approved programs related to academic and administrative areas within the University. At June 30, 2013, the University had a receivable of approximately \$20,000 from the Foundation. During the year ended June 30, 2013, the Foundation received approximately \$103,000 from the University to assist completion of the RWS Fieldhouse construction.

A summary of the Foundation's investments at June 30, 2013 follows:

<u>Pooled investments</u>	<u>Fair market value</u>
Temporarily restricted cash investments	\$ 547,343
Fixed income securities	3,254,673
Common stocks and publicly traded partnerships	6,901,610
Mutual and exchange traded funds	764,952
	<u>\$ 11,468,578</u>

A summary of the Foundation's debt at June 30, 2013 follows:

### Notes Payable

The Foundation entered into a promissory note payable in the amount of \$979,750 payable in fixed monthly payments of \$11,638 at 5.25 percent fixed rate. The purpose of the note payable was to pay off an existing line of credit with a financial institution. Monthly payments include principal and interest with the final payment due July 15, 2020, collateralized by certain unrestricted assets of the Foundation. There was approximately \$823,000 outstanding on the note payable at June 30, 2013.



# Lander University

## Notes to Financial Statements

June 30, 2013

### Note 14. Component Unit, Continued

The Foundation has another promissory note payable in the amount of \$2,500,000, payable in monthly payments of principal and interest of \$45,774 at 3.73 percent with the final payment due on December 16, 2015, collateralized by certain unrestricted assets of the Foundation. There was approximately \$1,279,000 outstanding on the note payable at June 30, 2013.

During the year ended June 30, 2013, the Foundation entered into a \$1,950,000 promissory note with its primary lender for the purpose of constructing an Athletic Fieldhouse and other improvements to the RWS Complex. The note is due in monthly installments of approximately \$14,000 with the remaining unpaid balance of approximately \$1,400,000 due in July 2017. The note bears interest at One Month LIBOR plus 2.85 percent subject to an interest rate swap agreement which establishes a fixed rate over the repayment period. There was approximately \$1,860,000 outstanding on the note payable at June 30, 2013

In July 2012, the Foundation entered into an interest rate swap agreement to effectively change the Foundation's variable rate exposure on notional amounts of its \$1,950,000 note payable to a fixed 3.99 percent rate. The interest swap agreement matures in July 2017. For the year ended June 30, 2013, the Foundation recognized a \$6,000 unrealized loss related to this interest rate swap agreement. The interest rate swap liability at June 30, 2013 was approximately \$6,000.

Maturities of the notes payable are as follows:

2014	\$ 709,121
2015	738,138
2016	458,209
2017	228,991
2018	1,555,925
Thereafter	<u>272,016</u>
	<u>\$ 3,962,400</u>

In connection with the notes payable, the Foundation is required to meet certain covenants.

### Bonds Payable

At June 30, 2013, bonds payable consisted of the following:

South Carolina Jobs-Economic Development Authority Economic Development Revenue Bonds, Series 2009A for \$14,000,000, dated November 25, 2009, interest due on the first business day of each month, floating interest rate of One Month LIBOR plus 1.66 percent (1.85 percent as of June 30, 2013), principal due annually on November 1 through November 1, 2029, collateralized by certain pledged revenues and assets of the Foundation.

\$ 12,375,000

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**Lander University****Notes to Financial Statements****June 30, 2013**

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**Note 14. Component Unit, Continued**

South Carolina Jobs-Economic Development Authority Economic Development Revenue Bonds, Series 2009B for \$1,500,000, dated November 25, 2009, interest due on the first business day of each month, floating interest rate of One Month LIBOR plus 1.66 percent (1.85 percent as of June 30, 2013), principal due annually on November 1 through November 1, 2014, collateralized by certain pledged revenues and assets of the Foundation.

Total bonds payable

600,000

\$ 12,975,000

On November 25, 2009, the Foundation entered into an interest rate swap agreement to effectively change the Foundation's variable rate exposure on notional amounts of all of its bonds to a fixed 3.99 percent rate. The interest swap agreement matures November 1, 2014. For the year ended June 30, 2013, the Foundation recognized a \$217,000 unrealized gain related to this interest rate swap agreement. The interest rate swap liability at June 30, 2013 was approximately \$304,000.

In connection with the bonds payable, the Foundation is required to meet certain covenants. During the year ended June 30, 2012, the bank and the Foundation amended the bond agreement. As part of the amendments, the Foundation pledged to pay the sum of \$30,000 to its subsidiary Lander RWS Properties, LLC annually beginning November 1, 2011, created a separate compliance deposit account funded with a \$200,000 contribution from the University, and changed the debt service coverage ratio requirements. The required debt service coverage ratio was modified to include consideration of the compliance deposit account to meet the ratio.

Maturities of bonds payable are as follows:

2014	\$ 775,000
2015	800,000
2016	525,000
2017	550,000
2018	600,000
Thereafter	<u>9,725,000</u>
	<u>\$ 12,975,000</u>

**Note 15. Related Party**

The Lander Alumni Association (the Alumni Association) is a separately chartered legal entity whose activities are related to those of the University and exists primarily to provide financial assistance and other support to the University and its educational programs. The Alumni Association, which has assets of less than \$2,000,000 was established by alumni to promote academic improvements, to assist in scholarship programs, to further the interests of the University and to promote among its present and former students and friends good fellowship and loyalty. The Alumni Association's financial statements are not presented in these financial statements.

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## Lander University

### *Notes to Financial Statements*

*June 30, 2013*

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#### **Note 16. Risk Management**

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several State funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees:

- Unemployment compensation benefits
- Worker's compensation benefits for job-related illnesses or injuries
- Health and dental insurance benefits
- Long-term disability and group-life insurance benefits

Employees elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan. All other coverage listed above is through the applicable State self-insured plan. Dependent and optional life premiums are remitted to commercial carriers.

The University and other entities pay premiums to the State's Insurance Reserve Fund (the IRF), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities:

- Business interruptions
- Theft, damage to, or destruction of assets
- Real property, its contents, and other equipment
- Motor vehicles
- Torts
- Natural disasters
- Medical malpractice claims against the Infirmary
- Inland marine
- Builders' construction risk

The IRF is a self-insurer and purchases reinsurance to obtain certain services and specialized coverage and to limit losses in the areas of property, boiler and machinery, automobile liability, and medical professional liability insurance. Also, the IRF purchases reinsurance for catastrophic property and medical professional liability insurance. Reinsurance permits partial recovery of losses from reinsurers, but the IRF remains primarily liable. The IRF's rates are determined actuarially. State agencies and other entities are the primary participants in the State's Health and Disability Insurance Fund and in the IRF.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for losses arising from dishonest or fraudulent acts, limited to \$100,000 for dishonesty, \$50,000 for forgery or alteration, and \$5,000 from theft, disappearance, and destruction. The University also obtains coverage through a commercial insurer for medical insurance covering student athletes.

The University has not transferred the portion of the risk of loss related to insurance policy deductibles, unreported claims, underinsurance, and co-insurance for any covered losses to a state or commercial insurer.

# Lander University

## Notes to Financial Statements

June 30, 2013

### Note 17. Transactions with State Entities

The University is granted an annual appropriation for operating purposes as authorized by the General Assembly of the State of South Carolina. The following is a reconciliation of the original appropriation as enacted by the General Assembly to state appropriations revenue reported in the financial statements for the year ended June 30, 2013:

Appropriation per Annual Appropriations Act	\$ 5,856,128
Adjustment for base pay	297,417
From Commission on Higher Education	
Academic Endowment	3,549
Technology Grant	<u>655,779</u>
Total state appropriations	<u>\$ 6,812,873</u>

During the year ended June 30, 2013, the State also appropriated \$646,417 for capital appropriations designated for deferred maintenance.

The University received substantial funding from the Commission on Higher Education (the CHE) for scholarships on behalf of students that is accounted for as operating state grants and contracts. The following is a summary of amounts received from the CHE for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2013:

Received from the CHE:	
LIFE Scholarships	\$ 4,452,557
Palmetto Fellows Scholarships	395,050
Need-Based Grants	833,782
Hope Scholarships	564,550
Assistance Program	36,000
SC Teaching Fellows	<u>200,788</u>
Total received from the CHE	<u>\$ 6,482,727</u>

Services received at no cost from State agencies include maintenance of certain accounting records by the Comptroller General; banking, bond trustee and investment services from the State Treasurer; legal services from the Attorney General; and grants services from the Governor's Office.

Other services received at no cost from various offices of the State Budget and Control Board include pension plan administration, insurance plans administration, audit services, personnel management, assistance in the preparation of the budget, review and approval of certain budget amendments, procurement services and other centralized functions.

The University had financial transactions with various State agencies during the fiscal year. Significant payments were made to divisions of the State Budget and Control Board for pension and insurance plans employee and employer contribution, insurance coverage, office supplies, and interagency mail. Significant payments were also made for unemployment and workers' compensation coverage for employees to the Employment Security Commission and State Accident Fund. The amounts of 2012 - 2013 expenditures applicable to related transactions with state entities are not readily available.

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**Lander University****Notes to Financial Statements****June 30, 2013**

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**Note 18. Operating Expenses by Function**

Operating expenses by functional classification for the year ended June 30, 2013 are summarized as follows:

	<u>Compensation and benefits</u>	<u>Supplies and services</u>	<u>Scholarships and fellowships</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 13,444,062	\$ 771,853	\$ -	\$ -	\$ 14,215,915
Research	2,981	19,908	-	-	22,889
Public service	204,989	118,607	-	-	323,596
Academic support	1,519,785	1,365,411	-	-	2,885,196
Student services	3,900,784	1,850,578	-	-	5,751,362
Institutional support	3,655,838	998,976	-	-	4,654,814
Operation and maintenance of plant	4,443,544	3,206,785	-	-	7,650,329
Scholarships and fellowships	-	3,978	3,013,651	-	3,017,629
Auxiliary enterprises	1,257,842	7,195,421	-	-	8,453,263
Depreciation	-	-	-	3,076,719	3,076,719
Total operating expenses	<u>\$ 28,429,825</u>	<u>\$ 15,531,517</u>	<u>\$ 3,013,651</u>	<u>\$ 3,076,719</u>	<u>\$ 50,051,712</u>



**Independent Auditor's Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Board of Trustees  
Lander University  
Greenwood, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of Lander University as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Lander University's basic financial statements, and have issued our report thereon dated November 20, 2013. The financial statements of The Lander Foundation were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with The Lander Foundation.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Lander University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lander University's internal control. Accordingly, we do not express an opinion on the effectiveness of Lander University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lander University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit; and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Greenville, South Carolina  
November 20, 2013



**Independent Auditor's Report on Compliance for  
Each Major Federal Program and Report on  
Internal Control Over Compliance**

Board of Trustees  
Lander University  
Greenwood, South Carolina

**Report on Compliance for Each Major Federal Program**

We have audited Lander University's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Lander University's major federal programs for the year ended June 30, 2013. Lander University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Lander University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lander University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Lander University's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Lander University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.



## Report on Internal Control Over Compliance

Management of Lander University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Lander University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Lander University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive, flowing style.

Greenville, South Carolina  
November 20, 2013

**Lander University****Schedule of Expenditures of Federal Awards****For the year ended June 30, 2013**

<b>Federal grantor/ Pass-through grantor/Program or Cluster title</b>	<b>Federal CFDA number</b>	<b>Pass through entity identifying number</b>	<b>Federal expenditures</b>
<b>Student Financial Aid Cluster</b>			
<b>United States Department of Education</b>			
Direct Programs:			
Federal Supplemental Educational Opportunity Grant	84.007		\$ 89,307
Federal Direct Student Loans	84.268		18,801,133
Federal Work-Study Program	84.033		121,439
Federal Perkins Loan Program	84.038		222,350
Federal Pell Grant Program	84.063		<u>6,417,024</u>
Total Student Financial Aid Cluster			<u>25,651,253</u>
<b>TRIO Cluster</b>			
<b>United States Department of Education</b>			
Direct Programs:			
Student Support Services	84.042A		<u>210,573</u>
<b>Special Education Cluster</b>			
<b>United States Department of Education</b>			
Passed through South Carolina Commission on Higher Education:			
Special Education Grants to States (Project CREATE)	84.027A	07-CO-305-01	<u>125,539</u>
<b>Other Programs</b>			
<b>United States Department of Education</b>			
Passed through South Carolina Commission on Higher Education:			
Developmental Disabilities Basic Support and Advocacy Grants	93.630		<u>20,099</u>
Total Federal assistance expended			<u>\$ 26,007,464</u>

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# Lander University

## *Schedule of Findings and Questioned Costs For the year ended June 30, 2013*

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### Section I – Summary of Auditor’s Results

#### *Financial Statements*

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting:	
- Material weakness identified?	No
- Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

#### *Federal Awards*

Internal control over major programs:	
- Material weakness identified?	No
- Significant deficiencies identified?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 410(a) of OMB Circular A-133?	No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.007; 84.268; 84.033; 84.038; 84.063	Student Financial Aid Cluster

Dollar threshold used for distinguishing between type A and B Programs:	\$780,223
Auditee qualified as low-risk auditee?	Yes

### Section II – Financial Statement Findings

None reported

### Section III – Federal Award Findings and Questioned Costs

None reported

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## Lander University

### *Notes to the Schedule of Expenditures of Federal Awards* *For the year ended June 30, 2013*

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#### **Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lander University and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of University, it is not intended to and does not present the financial position, changes in net assets or cash flows of University.

#### **Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Education Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Passthrough entity identifying numbers are presented where available.

#### **Note 3. Federal Student Loan Programs**

The federal student loan programs listed subsequently are administered directly by the University and balances and transactions relating to these programs are included in the University's basic financial statements. Loans made during the year are included in the federal expenditures presented in the schedule. The balance of loans outstanding at June 30, 2013 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance</u>
84.038	Perkins Loan Program	\$ 1,512,478